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C O N F I D E N T I A L SECTION 01 OF 04 UNVIE VIENNA 000241

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DEPT FOR IO/T, ISN/RA, ISN/MNSA

E.O. 12958: DECL: 05/26/2019  
TAGS: [AORC](#) [EG](#) [IAEA](#) [IR](#) [IS](#) [KNNP](#) [PARM](#) [PREL](#) [TRGY](#)  
SUBJECT: IAEA/BOARD/GC:TOUR D'HORIZON WITH EGYPTIAN  
AMBASSADOR

REF: A) UNVIE 220 B) UNVIE 198

Classified By: Ambassador Gregory L. Schulte for reasons 1.4 b and d

Summary  
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11. (C) Ambassador and DCM had a generally positive exchange of views May 19 with Egyptian Ambassador Fawzi on priority issues for the June Board of Governors meeting and in anticipation of Egypt becoming the NAM Chair in July. The President's upcoming visit to Cairo and the perception that U.S.-Egypt relations are "back in order," in addition to the positive atmosphere of the NPT Prepcom, have reverberated well with the Egyptians in Vienna. Cairo's unease at potential U.S.-Iran rapprochement may also play to our advantage in the Board. Fawzi led us to believe there can be room for cooperation with Egypt on Board issues, though he was cynical about disagreements on the Middle East in the IAEA General Conference. Fawzi professed, perhaps disingenuously, to be happy with the content of the Safeguards Implementation Report (SIR) on Egypt and planned to take a low-key approach to the issue (ref a). He appreciated the Ambassador's recommendation that the U.S. statement on the SIR report welcome continued Egyptian cooperation with the investigation. Fawzi seemed more open minded on fuel assurance issues than in the past, though he was skeptical of dealing with all three fuel bank proposals on the Board's June agenda. He sought more information/details from the Secretariat on the proposals and viewed the Russian proposal as the least problematic. Regarding verification issues, Fawzi nodded in agreement that the DG's report on Iran was a "special case" and should continue to be released, distinguishing this from the Syria report. He was receptive to the Ambassador's overtures to work together on the budget but argued for a "moderate" (as opposed to a "meaningful" or "significant") increase and for "diversification" of priorities, i.e. not an exclusive focus on nuclear security.

12. (C) As to the General Conference, Cairo had been awaiting the conclusion of the NPT Prepcom before developing its annual resolution. Fawzi saw no point to early consultation with Israel given last year's outcome. He expected that the Arab Group would soon agree to submit a separate agenda item on Israeli Nuclear Capabilities (INC), as in the past (Note: without a reference to "threat." End note.) Reflecting on the NPT Prepcom, he observed that consensus in Vienna on Middle East issues would help pave the way for the 2010 Revcon. While stressing that this was not a proposal, he queried whether the U.S. would vote for a single GC resolution on a Middle East NWFZ that included reference to Israel, which he suggested might be the bottom line requirement for other Arab delegations to agree to set aside their annual run at an INC resolution. End Summary.

U.S.-Egypt Re-set

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¶3. (C) Fawzi was generally very positive about U.S.-Egypt relations being back "in order" and looked forward to the President's June visit. He regarded Egypt's upcoming three-year tenure as NAM Chair, beginning July 16, as more of a burden than an "honor." He also took the opportunity to snipe that "your new best friend" Iran was competing with Qatar for the next NAM Chairmanship after Egypt. Fawzi admitted that the prospect of U.S.-Iran rapprochement was worrisome to some in Cairo (Comment: The Egyptians have clearly been thrown off balance and it will be interesting to see how this will translate in the Board, i.e. will Egypt as the new NAM Chair be less of an apologist for Iran than outgoing Cuba? End Comment).

SIR Report on Egypt  
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¶4. (C) With respect to the June Board, Fawzi's first observation was that the agenda was overburdened, a view shared wholeheartedly by Ambassador Schulte. After a lengthy discussion of the budget and fuel bank issues (see below), Ambassador raised the SIR report on Egypt. Fawzi admitted to being incensed by EXPO Director Vilmos Cserveny's free-lancing in his prepared opening remarks at the NPT Prepcom that did not reflect the wording of the SIR report on Egypt, which had not yet been officially released at the time. Fawzi went so far as to speculate that Cserveny "wanted to show himself as the next DG." However, he underscored that Egypt was by no means angry at the content of the SIR report itself, but at the "process." (Note: In a

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separate matter related to the IAEA's process of releasing the SIR this year, Mission notes that during the May 20 Technical Briefing on the SIR for IAEA member states, DDG/Safeguards Heinonen opened the presentation by explaining why the SIR was very briefly available on the IAEA's GOVATOM website, and then withdrawn, several days before it was finally released. Heinonen acknowledged that the brief appearance of the SIR on GOVATOM had led to "much speculation" about why it was withdrawn, Heinonen explained that the withdrawal was only due to several editorial mistakes that needed correction. He stressed that the substance of the SIR did not change after the brief appearance/withdrawal on GOVATOM. End note)

5.(C) Ambassador Schulte recalled the U.S. intervention on the 2005 DG report in which we welcomed Egypt's cooperation with the IAEA on verification issues raised at the time. Ambassador Schulte explained that he did not have instructions, but would recommend Washington take a similar approach on the uranium contamination issue reported in the SIR. Asked whether Egypt was working to close this matter, Fawzi professed to being "very happy" with the content of the SIR report that clearly closed the 2005 issues and said there was only one issue. He immediately attempted to downplay the finding of enriched uranium contamination, explaining that the Secretariat characterized it as an "ongoing" rather than a "routine" issue because they no longer like to use the latter term. Egypt did not know how the contamination happened but is discussing certain theories with Safeguards DDG Heinonen with a view to narrowing down the possibilities. The report otherwise clearly says that Egypt cooperated on the other issues, though Fawzi admitted it took some time for the GOE to get organized.

¶6. (C) Fawzi advised Ambassador Schulte that Egypt's intervention in the Board on the SIR report would not address the open issue unless others have questions or comments. Nevertheless, Egypt intended to abide fully by the wording of the report. Fawzi had no indication thus far that others would make an issue of it, but "one never knows." Ambassador Schulte relayed an exchange with another Ambassador who implied that the U.S. was being more lenient on Egypt than

Iran, which were totally different cases. Fawzi regretted that there were so many conspiracy theories out there including that the Director General pulled the SIR report after it had been posted on the website to "help Egypt" - something Fawzi denied ElBaradei would ever do.

¶17. (C) Ambassador Schulte reiterated that he recommended the U.S. take a positive approach to Egypt's cooperation. Fawzi asked that we encourage our allies to do the same, and the Ambassador reassured him we would encourage them to be fair.

#### Verification

¶18. (C) Ambassador Schulte briefly previewed other verification issues, noting that short reports were expected on Iran and Syria given that nothing has happened. The U.S. would continue to urge cooperation by both countries with the Secretariat. Ambassador Schulte recalled Fawzi's advice prior to the March Board that the U.S. not push for public release of the Syria report and not make too much of this peripheral issue. However, Fawzi nodded in agreement when Ambassador Schulte insisted that we would all want the Iran report to continue to be released as this was a special case.

#### Fuel Supply

¶19. (C) Fawzi was well aware of Ambassador Schulte's discussion with Egyptian Energy and Electricity Minister Younes at the Beijing Ministerial on Nuclear Energy in April, including the Minister's supportive position on fuel supply assurances. Fawzi questioned whether it was practical for the Board to attempt to address all three proposals at once. Ambassador Schulte admitted to being surprised that the German proposal was on the agenda, and said he would have preferred to focus on the first two proposals, the International Nuclear Fuel Bank (INFB) and the Russian proposal, which were much more concrete and further along. Fawzi found the Russian proposal acceptable as it was more of a "national" proposal but noted that the "other one" would take more time; the Secretariat needed to provide more information and detail. Ambassador Schulte expected that the Secretariat would provide a concept paper on the INFB and be asked by the Board to develop the concept further, and that Russia would submit the draft model agreements. He agreed

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that we were all waiting to see more details. Fawzi seemed receptive and agreed that the Board should focus on practical measures rather than the German proposal.

#### Budget

¶10. (C) Noting commonalities in the G-77 and U.S. positions on a budget increase, Ambassador Schulte suggested that we work closely together and reconcile differing priorities. Fawzi was receptive but expressed reluctance at the term "meaningful" increase, suggesting that "moderate" increase would be more acceptable to other Board members. Egypt also took issue with the singular priority accorded to nuclear security, a point on which Fawzi cited disagreement with Director General ElBaradei, and argued for "diversification" of priorities. It was not that Egypt did not see an IAEA role in nuclear security, but it should not be presented as the most important mission of the Agency, Fawzi said. He acknowledged that the budget request for nuclear security funding was not a large amount and that developing countries were the largest beneficiaries of nuclear security programs. Fawzi predictably cited technical cooperation funding with respect to "diversification" of priorities. Ambassador Schulte argued that nuclear security was a core part of the IAEA mission, though not "the" priority, and needed to be placed on stable footing similar to regular budget funding

for TC overhead costs.

¶11. (C) Fawzi chastised the Secretariat for irresponsibly putting forward an unrealistic budget increase in a time of financial crisis. He saw a need to tamp down expectations and reduce the bottom line. The Secretariat's proposal to spread out the expense over several years was a face-saving mechanism but not a solution, he advised. However, Fawzi seemed receptive to the Ambassador and DCM's argument that the first year of the Obama Administration was a unique window of opportunity that should be capitalized upon to rectify the IAEA budget. He promised to work together to bridge the gap and advised among the G-77 also speaking to Brazil, Argentina, South Africa, Malaysia, India (which was very quiet) and Pakistan, a very active potential spoiler, though not currently on the Board. (Note: This discussion occurred before the G-77 submitted an alternative budget proposal. End Note.)

2009 IAEA General Conference  
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¶12. (C) Fawzi did not have a sense of Egypt's position as of yet for the September GC as Cairo had been waiting for the conclusion of the NPT Prepcom before developing language for its annual Middle East Safeguards resolution. He was generally cynical, and saw no point to early consultation with Israel as it had led nowhere last year, i.e. it did not prevent Israel from tabling amendments from the floor to the Egyptian text, and in any case was less likely to be fruitful with the new Israeli government. Although there was no final decision on a separate Arab group agenda item/resolution, but Fawzi expected one around the end of this month. He anticipated that the item/resolution would be entitled "Israeli Nuclear Capabilities," as last year without the inflammatory reference to "threat." (Comment: Thus increasing the chances that it will garner broader support. End Comment.) This was always the same discussion for the last 20 years, Fawzi observed, as to whether or not to have an Arab resolution.

¶13. (C) Asked for his reaction to the NPT Prepcom, Fawzi reported that Cairo was neither "happy nor sad," and credited the U.S. for helping to change the atmosphere and moving to a more positive footing the "whole international arena," both in New York and Geneva. He noted that this new approach also had an impact on our European allies. Egypt would have preferred the adoption of the Prepcom Chair's statement, saw it as a good attempt, and hoped that the U.S. Administration would be ready to make proposals on the Middle East at the 2010 Revcon. (Note: Fawzi did not refer directly to the lack of a U.S. paper on regional issues at the Prepcom. End note.) Reflecting further, he observed that progress in the IAEA General Conference could have a positive effect on the 2010 Revcon. Reaching consensus in Vienna could help pave the way for the Revcon. He referred in passing to the European effort to hold a forum on the Middle East. However, Fawzi also acknowledged that consensus would not be easy to achieve given diverging views. The Arab Group was most insistent on their position on establishment of a NWFZ not being predicated on the peace process; if we wait for the peace process to end, he argued, all our efforts toward a

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NWFZ would be useless. There was more flexibility on referring to compliance than on this issue of the peace process as it relates to the NWFZ, he noted.

¶14. (C) DCM argued that this General Conference should be different, citing that the Obama Administration had pressed the "re-set" button by adopting a zero nukes stance. He also cautioned that it would be unfortunate if the new U.S. team coming to the General Conference should witness another rhetorical fist fight rather than a serious forum. While Middle East issues are important, they should not be all-consuming, he added. Fawzi acknowledged that "everyone

lost last year" but predicted that it would happen again unless we address the core issues and release tension on the Middle East in the General Conference; only then can we deal with issues such as fuel banks etc. (Comment: In the past few years Egypt has held the rest of the GC agenda hostage to Middle East issues. End Comment.) Stressing that he was not making a proposal, Fawzi observed that other Arab delegations would not support having only a single resolution on the Middle East unless that resolution referred to Israel. He queried whether the U.S. would be prepared to accept that, inferring that Egypt did not want to propose this without U.S. acceptance. Ambassador Schulte observed that the U.S. statement to the NPT Prepcom did not single out Israel among non-NPT parties. He agreed that the changing dynamic could contribute to consensus but some countries really did not want consensus, a point Fawzi admitted.

¶15. (C) Comment: Although he was clearly speaking on a personal basis, Fawzi was trying to sketch out a possible compromise for the GC, but unfortunately he is up against the same Arab bottom line, singling out Israel -- that being the whole point of this exercise from their perspective. The Arab Group also knows that we are at a disadvantage this year, having only very narrowly squeaked by in a no-action motion on the Israeli Nuclear Capabilities resolution at the 2008 General Conference, a feat we are highly unlikely to repeat this year.

SCHULTE